1. Introduction

Access to social protection is one of the major challenges facing developing countries. The challenges emanate from the presence of deeply segmented labour market, characterised by steep increase of informal employment. According to the Integrated Labour Force Surveys (ILFS) for 2005/2006, 94.1 per cent of Tanzania’s population were working in the informal sector of which the agriculture sector was by far the main sector of employment with a share of 74.2 per cent of total employment. In Tanzania Mainland, 91 per cent of all employed (including agriculture) work in the informal economy and only 3 per cent work in the formal sector, accommodating mostly those with formal education. The majority of those in the informal sector are people with low level of education or no education, women being overrepresented. Excluding agriculture, the proportion of the employed in totally informal employment is slightly lower, 67 per cent of the total employed outside agriculture. The proportion of those in formal employment is just over 10 per cent.1

The major problem presented by these figures is absence or inadequate social protection for the majority of workers. As indicated below in this contribution, the existing social security framework is by and large modelled in the ILO traditional concept of social security which exclusively affords protection to workers in the informal sector. This contribution provides a brief outline social protection programmes and how they protect informal workers.

2. Social Insurance

Social protection in the form of social insurance, which entails payment of premiums through contributions by the members and their employers, is provided by six major statute-based social security institutions: the National Social security Fund (NSSF), the Parastatal Pensions Fund (PPF), the Public Service Pensions Fund (PSPF), the Political Service Retirement Benefits Scheme (PSRB), the Government Employees’ Provident Fund (GEPF), and the Local Authorities’ Pensions Fund (LAPF). These only cover less than ten percent of the total labour force.2 As such, the majority of the working people are not covered by the existing social security schemes let alone the other vulnerable groups such as the elderly and the disabled. This is caused by restrictive legislation which defines the personal scope of coverage for each of the social security schemes in Tanzania.3

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3 However, this is likely to change once the Social Security Laws Amendment Act, 2012 is implemented as it amends all social security laws and extends coverage to the informal sector workers, among other things. This law is already in
The National Social security Fund (NSSF), established under the National Social Security Fund Act of 1997, covers employees in the private sector, government ministries and departments employing non-pensionable employees, parastatal organizations employing non-pensionable employees, and ministers of religion, the self-employed, or any other employed person not covered by any other social security scheme. Temporary employees and the majority of those in the informal sector are excluded. However, section 8(1) of the National Social Security Fund Act of 1997, empowers the Minister to declare any category of temporary employees as registrable under the NSSF. Also, the NSSF, although minimally, has been registering informal sector workers who apply to join the scheme.

The Parastatal Pensions Act of 1978 establishes the Parastatal Pensions Fund (PPF), and covers employees in all parastatal organizations and public institutions. It also covers all private companies in which the government owns shares; private companies that are not covered by any other social security fund; and all parastatal organizations that have been restructured through privatization, sale, or liquidation. Additionally, non-pensionable employees in the parastatal organizations are also covered by the PPF.

The Public Service Retirement Benefits Act of 1999 establishes the Public Service Pensions Fund (PSPF) which caters for permanent and pensionable employees in the central government and executive agencies. The statute categorically excludes all employees in the central government who are non-pensionable and employed on contractual terms. Those excluded, as earlier indicated, are covered by the NSSF. Similarly, the National Health Insurance Fund (NHIF), established under the National Health Insurance Fund Act of 1999, covers civil servants, employees in executive agencies and government parastatals. The law excludes employees in local government, the defence forces, the police and prisons, and those covered by the NSSF.

The Political Service Retirement Benefits Scheme (PSRB) which is established by the Political Service Retirement Benefits Act of 1999. PSRB, as the name suggests, covers specified political leaders including the president, vice president, prime minister, ministers, deputy ministers, speaker of the national assembly, deputy speaker, members of parliament, regional and district commissioners. Similarly, the Government Employees’ Provident Fund (GEPF), which is established under the Provident Fund (Government Employees) Act, cap 51, caters for non-pensionable employees of the central government who are not covered by any other pensionable government social security schemes. Thus, the GEPF covers the prisons and the police, operational employees who are categorized as such by the central government, those working on specific projects, and those on contracts who either fall under the government or under private undertakings. Recently, GEPF established Voluntary Savings Retirement Scheme (VSRS) for employed, self employed, informal sector and all other categories of people such as farmers, force but the implementation has been silently staled on account of workers being disgruntled because the law abolishes withdrawal benefits.

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6 See sections 2 and 5 of Act No. 2 of 1999.

7 See section 2 of Act No. 2 of 1999.

8 See sections 2 and 14 of Act No. 8 of 1999.

9 See section 2 of Act No. 8 of 1999.

10 See section 4 of Act No. 3 of 1999.

11 See section 4 of Cap 51 R.E 2002 and section 3 of the Provident Fund (Government Employees) Ordinance (Amendment) Act of 1965, Act No. 52.
fishermen, drivers, petty traders, food vendors, organized groups such as VIBINDO and Saving Associations and Credit Co-operative Societies (SACCOS), women groups, professionals.  

The *Local Authorities Pensions Fund Act* of 2006, which establishes the Local Authorities Pensions Fund (LAPF), covers almost all categories of workers including those in the local government authorities, the Local Government Loans Board, the Local Authorities Pensions Fund, any institution owned by a local government authority, and any institution that elects to contribute to the LAPF. Also, LAPF covers self-employed and temporary employees. This means that the informal sector workers may become LAPF members even where they do not have permanent employment, establishments or businesses.

There is also a workmen’s compensation scheme established under the *Workmen’s Compensation Ordinance* of 1949 which primarily provides for compensation of workers when the latter sustains injuries in the course of performing duties related to employment contract. It covers those who work under a contract of service or apprenticeship. It excludes those not employed to perform manual labour and whose earnings exceed a specified amount, casual employees, out-workers, tributers, a member of the employee’s family, and any other class of persons that the President may declare to be excluded.

From the foregoing, it is evident that the informal sector workers, who include street vendors, hawkers, undeclared domestic workers, petty traders, subsistence farmers and barter traders, are largely excluded from the ambit of the social security legislative framework. Although the NSSF, PPF and LAPF to some extent cover the informal sector, the number of the informal sector workers in these schemes is negligible. For instance, among the 367,948 members of NSSF, which boasts the highest coverage level, only 2,000 are workers from the informal sector. This is due to several challenges relating to coverage of the informal sector:

First, with the exception of the PSRB and CHFs, which are sustained through the consolidated fund and contributions from the members matched by the Government respectively, the rest of the schemes require contributions from both the employer and employee. This means that all the social security schemes, the NSSF, PPF, LAPF, PSPF, NHIF and GEPF require contributions to be made by both the employer and employee for one to qualify for benefits. The challenge is that workers in the informal sector do not necessarily have employers and therefore unable to contribute “double” portions on behalf of their “non-existent” employer and themselves. Even

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13 See section 2 of Act No. 9 of 2006.

14 See section 2 and 3 of Act No. 9 of 2006.

15 This law is repealed by the *Workmen’s Compensation Act*, 2008, which is not force.

16 See section 2(1) of Cap 263 R.E 2002.


in cases where such employers exist the contribution challenge still remains: On the one hand, the employers are unwilling to make contributions to a social security fund because making contributions increases their labour costs. Also, since there is no law that compel such employers in the informal sector to make such contributions on behalf of their employees, there is neither a carrot nor a stick to induce them to register with social security schemes.

On the other hand, workers in the informal sector are reluctant to allow the employer to deduct monies for contributions to the social security scheme as they would receive lower pay. Thus, employee would rather keep their already low salaries than make contributions to the social security funds which evidently are concerned with futuristic risks such as old age and invalidity pension. These risks are not necessarily a priority in the informal sector. Moreover, workers in the informal sector know that the existing schemes are unable to provide adequate benefits to their members when they face social risks. This also discourages the informal sector workers from committing funds to schemes which will not be beneficial to them. However, this is not to say that there are no employees willing to join the existing social security schemes.

Second, social security institutions in Tanzania presuppose the employer-employee relationship for their members, which makes it difficult for members from the informal sector who do not necessarily have employers. At times, workers in the informal sector may be working on their own account or under somebody who they do not consider to be an employer such as a relative. Occasionally, even employers in formal establishment hire informal sector workers so as to minimise the labour costs as the latter would not qualify for social security contributions. Related to the issue of “double”, a lack of employment relationship discourages the informal sector workers from joining the existing schemes on account of the heavy financial burden which they will have to bear. This is based on the fact that where there is no clear employer-employee relationship; the “pseudo” employer may not be compelled to make social security contributions for the employee.

Third, irregularities, uncertainties and seasonality of income in the informal sector also foster exclusion from the existing social security schemes. This is because uncertainty and unreliability of income may impair their membership, contributions and qualifications for benefits of those that are willing to join the schemes. For instance, for a member to qualify for invalidity pension and maternity benefits under the NSSF, they must have contributed for a minimum of 36 months out of which 12 months contributions must have been made within the immediate past.

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20 See Ackson, 2009, chapter 4 for more details on adequacy of social security benefits in Tanzania.
36 months before the occurrence of the social risk. Thus, irrespective of being a member to the NSSF an informal sector worker may not qualify for the benefits on account of irregular contributions. Also, unreliable income of the informal sector complicates the enforcement of compliance by the existing social security schemes in which case the income being sought from the informal sector workers may actually be less than the administrative expenses incurred by the social security schemes.

Fourth, considerable differences exist between what the social security institutions offer and what the informal sector workers want: while the latter are concerned with immediate needs, the former concentrates on what the informal sector considers as futuristic concerns. For instance, the existing social security institutions provide for long term benefits such as retirement, invalidity and survivors’ pensions which are not necessarily a priority to the informal sector workers who, depending of the nature of their undertakings, are largely concerned with loan and credit facilities, sponsorship for vocational training, basic education for children, crop insurance, reliable market for their products, housing loans, working tools and medical care.

Inadequate benefits offered by the existing schemes is another reason which falters extension of social security coverage to the informal sector. There have been concerns and complaints raised by the beneficiaries on the inadequacy of benefits offered by the existing schemes. For instance, the minimum retirement pension for a member of the NSSF, and PPF is TZS 64,000 (40USD) and TZS 50,000 (31USD) respectively. Although the current minimum wage is by and large TZS 150,000 (93USD) for most of the formal sector establishments, the actual living costs for an average Tanzanian family of five people, by 2004, required about TZS 180,000 and by 2007, about TZS 315,000 (196USD). As such, informal sector workers do not consider their counterparts covered by the social security schemes as being adequately protected against social risks and are thus discouraged to join the existing schemes. This constitutes the fifth challenge related to extension of social security coverage.

The sixth challenge facing extension of social security coverage to workers in the informal sector is that they are unaware of the core functions and operations of social security schemes. This is the case even for the members of the existing social security institutions who are unaware of what social security means and their respective entitlements as members. The issue is, if the few members under the schemes are not aware of social security issues, what about the excluded? It is therefore unlikely that they would join such schemes.

Irrespective of the mounting challenges, the informal sector, which accommodates the majority of workers in Tanzania, and is always on the verge of poverty, ought to be protected against social risks which tend to ensnare them with poverty. As earlier indicated, this is in line with the

23 See sections 28(1)(c) and 44 of Act No. 28 of 1997 and
26 For more details on adequacy of social security benefits in Tanzania see Ackson, 2009, op cit, chapter four.
27 Mean exchange rate for June-July 2013, USD1 to TZS1600.
Government’s commitment to fight poverty in Tanzania. Thus, social security provisioning to the informal sector have to be prioritised if the fight against poverty is to succeed.

3. Social assistance

Social assistance is defined by the National Social Security Policy of 2003 as assistance which is “non-contributory and income-tested, and provided by the state to groups such as people with disabilities, elderly people and unsupported parents and children who are unable to provide for their own minimum needs.” It is also includes social relief geared towards relieving the community or people/individuals who are in need.

At present, there is no social assistance policy. Social assistance is currently provided by different uncoordinated pilot projects which are small in scale and target specific groups, usually the most vulnerable members of community, such as the elderly, orphans and people living with HIV and AIDS. In 2009 the government through the second phase of Tanzania Social Action Fund (TASAF) launched a pilot Community-Based Conditional Cash Transfer (CB-CCT) in three district (Bagamoyo, Chamwino and Kibaha). The project targeted older people (over the age of 60), including those caring for children without parents, and the NCPA is for the most vulnerable children. The project was part of the government efforts to implement its poverty reduction policy (National Strategy for Growth and Reduction of Poverty/Zanzibar Poverty Reduction Action Plan, NSGRP – MKUKUTA/MKUZA). The project was implemented with the support of the Government of Japan and the World Bank. Under this project cash transfers are provided to the poor and vulnerable households who fulfilling their obligation related to sending their children to health facilities for immunization and nutritional and growth monitoring as well as enrolment and attending school at the rate acceptable to the education sector. This project whose value is more than TZS 1.0 billion supported more than 13,000 beneficiaries. It was completed in 2011.

The third phase of TASAF envisages consolidated of national safety nets through which Conditional Cash Transfer sub-component (CCT) shall be extended to poor and vulnerable households with children, and/or pregnant women. According to the Productive Social Safety Net (PSSN) Operational manual, in the third phase of TASAF will continue to implement the cash transfer component made up of up of two components: (i) a basic transfer equivalent to $5 per month for all households identified as beneficiaries; and (ii) a conditional transfer component equivalent to $5 per month for households with children or pregnant women. These two elements will use the same transfer modalities and will be managed at the village level by the Community Cash Transfer Management Committees (CCTMCs). The size of the transfer will be reviewed regularly and adjusted in line with inflation and on the basis of programme experience.

It is also envisaged to include a component of Public Works Program (PWP) which shall provide temporary employment at low wages to households with members capable of physical activity (i.e. households with labor). It is envisaged that PWP will generate employment opportunities to

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32Ibid.
needy unskilled workers. The PWP shall offer a guaranteed 15 days of paid work per month for four months to eligible households targeted under the Productive Social Safety Net targeting. It is envisaged that the daily wage rate will be the equivalent of US$1.35 and therefore the household covered can earn a total of $81 a year. Participation in the PWP is for household not individuals, thus where the household have more than one eligible member, it may split these fifteen days a month between up to two nominated members (a main participant and a substitute) who shall be between the ages of 18 and 60.

Other efforts include the National Strategy for Growth and Reduction of Poverty (NSGRP) of 2005/6 – 2009/10 which was considered as NSGRP Phase I and its successor NSGRP Phase II in respect of 2010/11-2014/15. The strategy aims, among other things, to ensure growth and reduction of income poverty and enhancement of quality of life and social wellbeing. The NSGRP endeavours to curb the alarming income poverty, underemployment and unemployment. There have also been efforts to establish a National Social Protection Fund for about five years and to date, it is still in the pipeline.

4. Medical care and health insurance

Access to medical and health services in Tanzania is not universally free. To access these services one is required to pay a user fee, introduced in 1993 as part of the broader health sector reforms. Exemptions and waivers are granted to the most vulnerable sections: the elderly (above the age of 60), pregnant women and children. It is however reported that, the poorest often do not have access because of a lack of information, denial of the waiver, existence of loopholes that allow misuse and sometimes abuse of the system, and a lengthy and cumbersome identification process that often deters people from applying for waivers.

Health insurance is available through the National Health Insurance Fund (NHIF). The NHIF which was established under the National Health Insurance Fund Act of 1999, NHIF was initially meant for civil servants, employees in executive agencies and government parastatals (Central Government employees). The Act was later amended to extend coverage to all public servants. Following this amendment NHIF now covers a number of workers including public servants, councilors, and members of the Police force, Prisons, Immigrations, Fire and Rescue as well as other groups of persons. The Fund commenced operation in 2001 covers. The scheme is compulsory to all public sector and provides wide ranging in-patient and out-patient services. The Minister responsible for health may extend coverage to other sectors. Just like social insurance schemes, NHIF presuppose the existence of employer-employee relationship for their

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33 The United Republic Of Tanzania, TASAF III Resettlement Policy Framework, 2011 at 2
35 United Republic of Tanzania, National Strategy for Growth and Reduction of Poverty of 2005-2010, available at http://www.povertymonitoring.go.tz/documents/mkukuta_main_eng.pdf, accessed on 8 June 2010. The NSGRP is currently under review to ascertain the successes and challenges and perhaps the review will lead to adoption of a similar Policy for the next five years.
36 By 2011 it was still to be approved. A 2012 report by the International Monetary Fund (IMF) reports that the government is contemplating to drop the NSPF because the work envisaged in this document has been integrated into the ongoing broader national social security reform program. See IMF, Staff Country Report No. 12/23 (IMF, Washington, D.C, 2012) 16.
38 See sections 2 and 14 of Act No. 8 of 1999.
members. The fund is financed through the contribution of employer and employee making it difficult for members from the informal sector who do not necessarily have employers.

There also exist a hybrid model currently implemented through the Community Health Funds (CHFs) introduced by the Ministry of Health in 1996 as part of the endeavours to make health care affordable and available to the rural population and workers in the informal sector.39 In 2001 the government passed the Community Health Fund Act of 2001 which formally institutionalized the CHFs. CHFs are insurance-based hybrid scheme administered at district level and co-financed by the community (household) and the government. They cover all households in the specific area where a community health fund would be established by the respective local authority.40 Thus both the informal and formal sector workers may become members to the CHFs. The scheme is voluntary whereby members (household) pay a small uniform contribution on a regular basis to offset the risk of needing to pay a much larger amount in health care user fees if they fall sick.

Several CHFs have been established including the Igunga Community Health Fund, Mkuranga Community Health Fund, Bukombe Community Health Fund, Misungwi Community Health Fund, Maswa Community Health Fund and Rungwe Community Health Fund, among others.41 The informal sector workers in the said districts have joined the schemes for mainly three reasons:

Firstly, they only have to contribute once in a year and then receive medical care throughout the year for the same contribution which ranges between TZS 5,000 and 15,000 per annum (about USD 4 and USD 11). Secondly, members of the community health funds do not have to contribute on behalf of the “non-existent employer” as is the case with the existing schemes. The Government of Tanzania matches all contributions made by the members to CHFs. For instance, where a member contributes TZS 10,000, the government will pay the same amount on behalf of the member. Thirdly, medical care is considered one of the highest priorities in the informal sector. The informal sector workers therefore have responded positively to the community health fund and even those in the formal sector who are inadequately protected against health related risks opt to contribute to community health funds.

The NHIF and CHFs have recorded an increase number of membership base. For example NHIF membership base has increased from 164,708 in 2001/02 to 468,611 in 2010/2011. A total of beneficiary in the same period has reached about 2.5 million (7.3% of the total population).42 As it is evident from these figures, the coverage of both funds remains low.

Another experience is the UMASIDA health care programme in Dar es Salaam which covers the informal sector.43 Although this health insurance scheme requires monthly contributions, it does

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40 See sections 2 and 7 of Act No. 1 of 2001.
42 http://www.nhif.or.tz/index.php/about-nhif/overview
43 UMASIDA stands for an acronym for a mutual society for health care in the informal sector in Dar es Salaam. UMASIDA is a health insurance institution for the informal sector and it provides health care and medical insurance to its members. See Kiwara, A. D., “Health Insurance for the Informal Sector in the United Republic of Tanzania” in van Ginneken, W. (ed), Social Security for the Excluded Majority: Case studies of Developing Countries, ILO, Geneva, 1999,
not require members to make “double contributions” as required by the existing social security schemes. As such, members can afford to insure themselves and their families against social risks related to health. As is the case with CHFs, the positive response is grounded in the fact that health care is a priority in the informal sector. However, the Government does not match the contributions made by members of the UMASIDA.

5. Other forms of Protection:

5.1 Micro-financing

Micro-Finance Institutions (MFI) were formally recognized as an integral part of the financial sector in 1991. The recognition came as a result of the financial policy reforms. A wide range of institutions have been established. They include:

**Formal financial institutions:** in this group are banks that offer micro-finance services such as the CRDB Bank PLC, Kilimanjaro Co-operative Bank, National Micro-finance Bank (NMB), Akiba Commercial Bank (ACB), Dar es salaam Community Bank, Tanzania Investment Bank, Tanzania Women’s Bank, and Tanzania Postal Bank (TPB), just to mention a few.

**Non Governmental Organisations Micro-finance institutions:** the most active Micro-finance NGOs are: SEDA (Small Enterprises Development Agency), Promotion of Rural Initiative and Development Enterprises Limited (PRIDE Tanzania), Mennonite Economic Development Associates (MEDA) and FINCA Tanzania. Most of these started operations during or after 1995 and operate in urban and peri-urban areas. The urban bias is prompted by the high transaction costs in financing rural based undertakings.

**Governmental and Public sector sponsored micro-finance programmes:** These include: the Small Industries Development Organisation (SIDO), the Presidential Trust Fund (PTF), the Youth Development Fund (YDF) and the Women Development Fund (WDF).

**Savings and Credit Cooperative Societies:** Savings and Credit Cooperative Societies (SACCOs) comprise of formal mechanism whereby financial resources are mobilized from members. They are directly managed by members who also constitute the main beneficiary. SACCOs are registered under the cooperatives law and get funds for lending to members from internally mobilized savings and loans from commercial banks, community Banks and Government programmes such as Small Enterprise Loan Facility (SELF).

**Informal financial services providers:** They include Rotating Savings and credit Associations (ROSCA’s), accumulated savings credit associations, burial associations (micro insurance services), money lenders and traders, Self Help group (SHGs) and Village Community Banks (VICOBA/VSLA). These are neither legally constituted nor regulated by any institution. They provide savings, credit and micro insurance services. These are member owned and controlled by members themselves. MIFs provide financial services and non-financial services. The financial services provided by MFIs are mainly in the form of loans and savings. According to a study conducted in 2006, 89.3% of MFIs offer short-term working capital loans, of which 56% offer an investment loan of more than one year’s duration in addition to the working capital and 33.3% offer different types of loans. Non-financial services in terms of business advice and business training are also provided by MFIs.

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44 Kessy S. S.A and Urio F.M., Contribution of Microfinance Institutions to Poverty Reduction in Tanzania, Research on Poverty Alleviations (REPOA), Research no. 06.3, 2006 at 12.

45 Ibid.
The services offered by MFIs are relatively friendly and fairly accessible. Most MFIs use solidarity groups as a methodology for issuing small loans (Tshs. 50,000 (about USD 31). Collateral is demanded for clients who seek big loans (an amount greater than Tshs. 500,000, (about US$310). For example PRIDE Tanzania offers solidarity group guarantee loan made up of a solidarity group of self selecting members of five called an enterprise group (EG). The solidarity groups then combine into one large group of 50 called a market enterprise group (MEC). The loan works through peer pressure and three tier loan guarantee system to ensure loan repayment. There are also compulsory weekly savings collected as part of loan insurance scheme collected as part of loan insurance scheme and a refundable upon exit. Normally clients are required to start with a small loan before they can be advanced a big loan.

In 2001 the government passed the National Micro-Finance policy with the objective of laying a ground for an efficient and effective micro-finance system and achieving widespread access to micro-finance for the low income segment of the society.

While positive impacts of MFIs have been registered in terms accessibility there are a number of outstanding challenges. The overall performance of the institutions has been poor both in terms of institutional and organisational strength, client outreach, operational and financial performance. They reach only a small segment of people mainly in urban areas where MFIs are predominantly based. MFIs operate under different legal framework and there is barely any coordination of their activities. Cases of poor accountability are rampant particularly among the SACCOs due to absence of effective coordination and regulation the fact that threatens the life of the SACCOS and the wellbeing of the members. Risks associated with default have also been reported.

5.2 Agricultural inputs and Food Security

Small scale farmers, as part of the informal sector are availed with agricultural inputs by the Government through the Agricultural Input Trust Fund (AGITF) which was established in 1994. The Fund principally ensures the availability of funds to finance the procurement and distribution of agricultural inputs and to monitor timely delivery, distribution and storage of agricultural inputs. The farmers access agricultural inputs through the National Agricultural Input Voucher Scheme (NAIVS). Eligibility condition is that a households must be cultivating less than 1 hectare, or female headed households and resource poor. The vouchers give the holder access to a 50% subsidised fertilizer and seeds in high agro-ecological potential areas in most cases for maize and rice growers. Although this is meant to assist the small scale farmers, there are cases where the distrubutors have tied the farmers to sell their produce to them or at times, the subsidized inputs are sold at high prices than they should. There are also reported cases of late distribution of the inputs and the intended beneficiaries missing the inputs altogether. The distributors are also said to avail such subsidised input to large scale farmers thereby denying access of the informal sector farmers to the inputs.

46 Kessy and Urio at 13.
5.3 Conclusion

Social protection in Tanzania is availed to the informal sector in an uncoordinated manner to the extent that the informal sector workers find it difficult to access the available protection. The demands for security, forming groups, and other hurdles also complicate access to social protection which would otherwise be available to the informal sector.